

Message Text

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TO SECSTATE WASHDC 3186

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SUBJECT: NATIONALIZATION OF ALL AMERICA CABLES AND
RADIO - ITT SUBSIDIARY

1. ON DECEMBER 4, 1974 GOP ISSUED A SUPREME RESOLUTION NATIONALIZING THE WEST COAST OF AMERICA TELEGRAPH CO., LTD. (A BRITISH COMPANY WITH BRITISH GOVERNMENT PARTICIPATION) AND ALL AMERICA CABLES AND RADIO, INC., AN ITT SUBSIDIARY. THE TWO COMPANIES WILL CONTINUE THEIR OPERATIONS UNTIL FEBRUARY 28, 1975. ON MARCH 1, 1975, THE DIRECTORATE OF POST AND TELEGRAPHS OF THE MINISTRY OF TRANSPORTATION AND COMMUNICATIONS WILL TAKE OVER INTERNATIONAL TELEGRAPHIC SERVICES AND ENTEL-PERU, THE GOVERNMENT TELECOMMUNICATIONS CORPORATION, WILL TAKE OVER INTERNATIONAL TELEX SERVICES AS WELL AS OTHER SPECIALIZED INTERNATIONAL TELECOMMUNICATIONS SERVICES.

2. ACCORDING TO PHILIP WITHERS, ACTING GENERAL MANAGER OF ALL AMERICA CABLES, THIS GOP DECISION CAME AS NO SURPRISE. THE 1971 GENERAL TELECOMMUNICATIONS LAW PROVIDED THAT THE STATE, THROUGH ENTEL-PERU. BE IN CHARGE OF ALL PUBLIC TELECOMMUNICATIONS SERVICES.

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SINCE THEN, GOP HAS GRADUALLY BEEN ASSUMING THIS RESPON-

SIBILITY. THE ONLY QUESTION WAS THE DATE OF ALL AMERICA'S NATIONALIZATION. ON NOVEMBER 25, 1974, THE GENERAL MANAGERS OF ALL AMERICA AND WEST COAST AND THE PRESIDENTS OF THEIR RESPECTIVE INDUSTRIAL COMMUNITIES WERE CALLED INTO COAP (PRESIDENT'S COUNCIL OF ADVISORS) AND WERE INFORMED ABOUT THE DETAILS OF THE NATIONALIZATION. APPARENTLY, ALL EMPLOYEES OF BOTH COMPANIES WILL BE OFFERED EMPLOYMENT BY THE GOP. ALL AMERICA HAS 133 EMPLOYEES, INCLUDING TWO EXPATRIATE MANAGERS.

3. WITHERS SAID THAT THE GOP WILL NATIONALIZE ALL OF ALL AMERICA'S SERVICES AND WILL USE THE GOP'S OWN EQUIPMENT. THUS, THERE WILL BE NEITHER COMPENSATION NOR INDEMNIFICATION BECAUSE NO EQUIPMENT OR PROPERTY WILL BE EXPROPRIATED BY THE GOVERNMENT. THE COMPANIES WILL MERELY CEASE FUNCTIONING. THE GOP IS, HOWEVER, NEGOTIATING WITH ALL AMERICA FOR THE PURCHASE OF SELECTED PIECES OF EQUIPMENT. WITHERS BELIEVED THAT THE TWO AND A HALF MONTHS BEFORE THE MARCH 1 NATIONALIZATION SHOULD PROVIDE THE GOP WITH SUFFICIENT TIME FOR THE EFFICIENT TRANSFER OF OPERATIONS.

4. IN 1972, ALL AMERICA LOST 24 MILLION SOLES (\$530,000). IN 1973, PROFITS WERE 8 MILLION SOLES (\$180,000). 1974 PROFITS SHOULD BE GREATER. SINCE THE PROMULGATION OF THE FOREIGN EXCHANGE LAW IN 1971, ALL AMERICA HAS NOT REMITTED PROFITS. WITHERS SAID THAT OUTSTANDING PROFITS SHOULD JUST COVER THE DEBTS WHICH WILL BE INCURRED BY CLOSING THE OPERATIONS. SALE OF BUILDINGS AND EQUIPMENT WILL PROBABLY LEAVE ALL AMERICA WITH A SMALL SURPLUS, BUT WITHERS DID NOT KNOW HOW THIS WOULD BE LIQUIDATED.

5. THIS NATIONALIZATION WILL NOT AFFECT FETSA (FABRICA DE EQUIPO DE TELEFONIA, S.A.) ITT'S TELEPHONE EQUIPMENT MANUFACTURING SUBSIDIARY, THE TAKEOVER OF WHICH IS NOW BEING NEGOTIATED BY THE GOP AND ITT.

6. BRITISH EMBASSY SOURCES SAY THAT THE NATIONALIZATION OF WEST COAST OF AMERICA TELEGRAPH CO. SIMILARLY CAME AS NO SURPRISE. NEGOTIATIONS BETWEEN THE COMPANY AND LIMITED OFFICIAL USE

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THE GOP WERE BUSINESSLIKE AND AMICABLE. THE EMBASSY IS UNAWARE OF ANY PROBLEM WITH RESPECT TO REMITTANCES AND IS UNDER THE IMPRESSION THAT THE PARENT COMPANY (CABLES AND WIRELESS) PLANS TO INVEST ANY PROCEEDS IN ANOTHER VENTURE IN PERU.

7. ONE POTENTIALLY OMINOUS NOTE IS THAT MOST OF THE PRESS WIRE SERVICES WILL NOW BE DEPENDENT ON THE GOP FOR

THEIR COMMUNICATIONS SERVICES RATHER THAN ON PRIVATE
COMPANIES.
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